

# Lectures

SPECIALTY COFFEE ASSOCIATION OF AMERICA



## PRODUCTION COSTS: EVIDENCE FROM COLOMBIA

Mark Lundy

Cost of Production is a function of:



G

GENETICS /  
VARIETALS

X



E

ENVIRONMENT  
INCLUDING  
FARM LOCATION  
AS WELL AS WEATHER

X



M

MANAGEMENT

# Cost of Production is a function of:





A scenic photograph of a mountainous landscape in Nariño, Colombia. The image shows steep, green hillsides with terraced fields and a winding dirt road. The scene is shrouded in mist or low clouds, particularly in the upper portions of the mountains. In the foreground on the left, there are some out-of-focus green leaves and branches. The overall atmosphere is serene and natural.

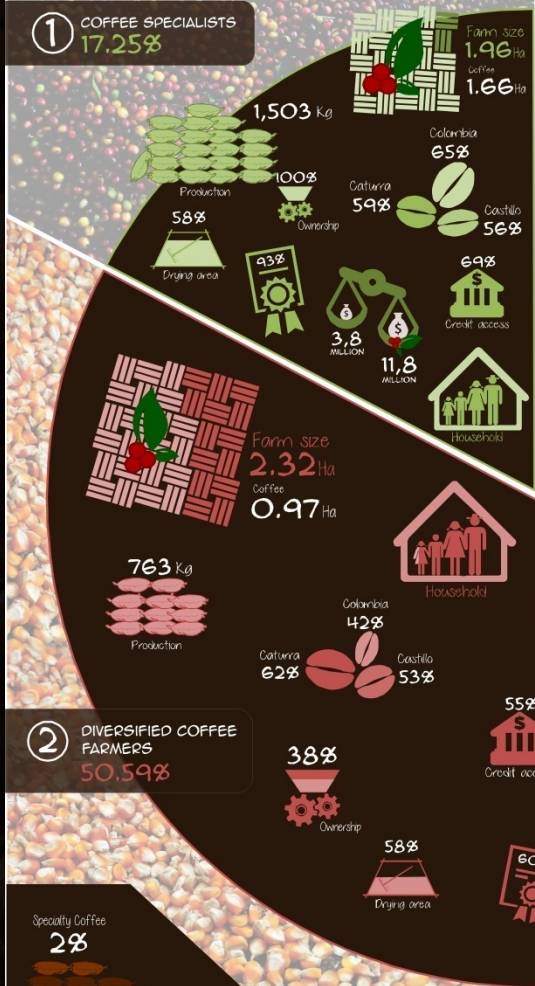
# NARIÑO, COLOMBIA AN ILLUSTRATIVE CASE

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# BORDERLANDS COFFEE PROJECT in Colombia

## 1 COFFEE SPECIALISTS 17.25%



## 2 DIVERSIFIED COFFEE FARMERS 50.59%

Specialty Coffee  
2%

CARDAFE  
Starbucks

38%

Federación de Cafeteros  
Nespresso

60%

## OFF-FARM INCOME 3



ADAPTED ICONS FROM: Athanagore, Boukamen, M. Cherkansky, A. Fumeaux, B. Garcia, A. Green, N. Green, S. Hoffman, I. Jaska, S. Kerr, C. Krasinski, T. Kulberg, P. Lewis, S. McKinney, J. McKown, C. Minnick, J. Muñoz, F. OCHA, Prada, L. Samson, E. Sarasin, B. Thomson, N. Wang, J. Westbrook, K. FROM THE NOUIN PROJECT - thenounproject.com







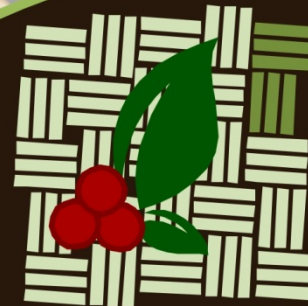
# BORDERLANDS COFFEE PROJECT *in Colombia*

① COFFEE SPECIALISTS  
17.25%



1,503 Kg

Production



Farm size  
1.96 ha  
Coffee  
1.66 ha



100%

Ownership

Colombia  
65%

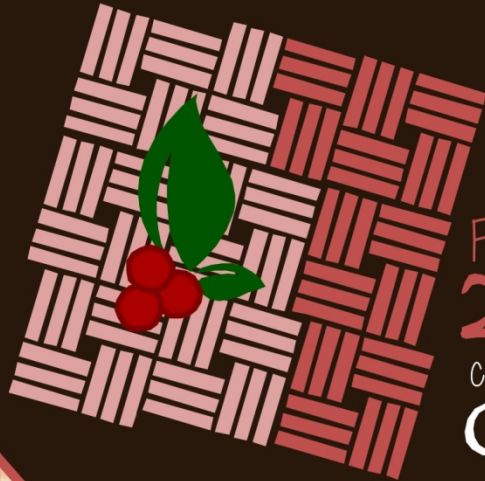


Castillo  
56%

Caturra  
59%



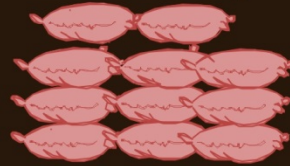
# BORDERLANDS COFFEE PROJECT *in Colombia*



Farm size  
**2.32** ha

Coffee  
**0.97** ha

**763** Kg



Production



Household

Colombia  
**42%**

Caturra  
**62%**



Castillo  
**53%**



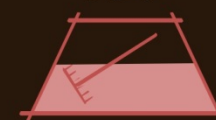
55%  
Credit access

**38%**



Ownership

**58%**



Drying area



**60%**

**2**

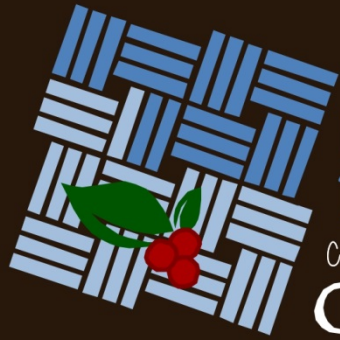
DIVERSIFIED COFFEE  
FARMERS

**50.59%**





# BORDERLANDS COFFEE PROJECT *in Colombia*



Farm size  
**1.66** ha  
Coffee  
**0.63** ha

**227 Kg**  
  
Production

OFF-FARM INCOME **32.16%** **③**

Caturra  
**55%**



Colombia  
**29%**

Castillo  
**59%**

**8.7** MILLION  
**1.5** MILLION

**25%**  
  
Ownership



Household

**51%**  
  
Credit access

**56%**  
  
Drying area

**35%**





# BORDERLANDS COFFEE PROJECT *in Colombia*

## COMMON FACTORS



MONTHS OF ADEQUATE  
HOUSEHOLD FOOD  
PROVISIONING  
(MAHFP)

8





# BORDERLANDS COFFEE PROJECT *in Colombia*

Specialty Coffee

2%

CARCAFE  
Starbucks

38%

Federación de Cafeteros  
Nespresso

60%



Quality  
82/100



Quality Premium

1.8%



Collective Sales





# COSTS

Adapted icons from the Noun Project



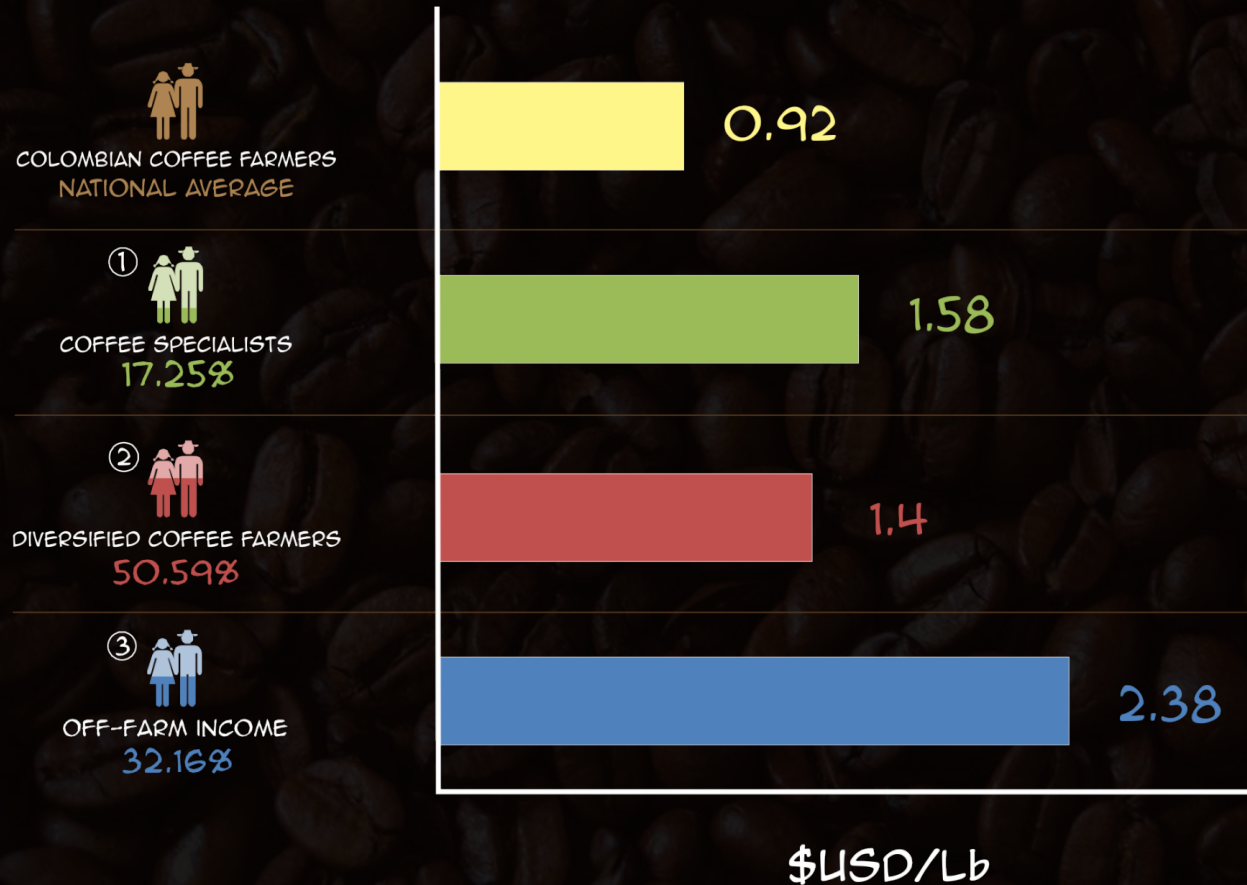


# COSTS

Adapted icons from the Noun Project

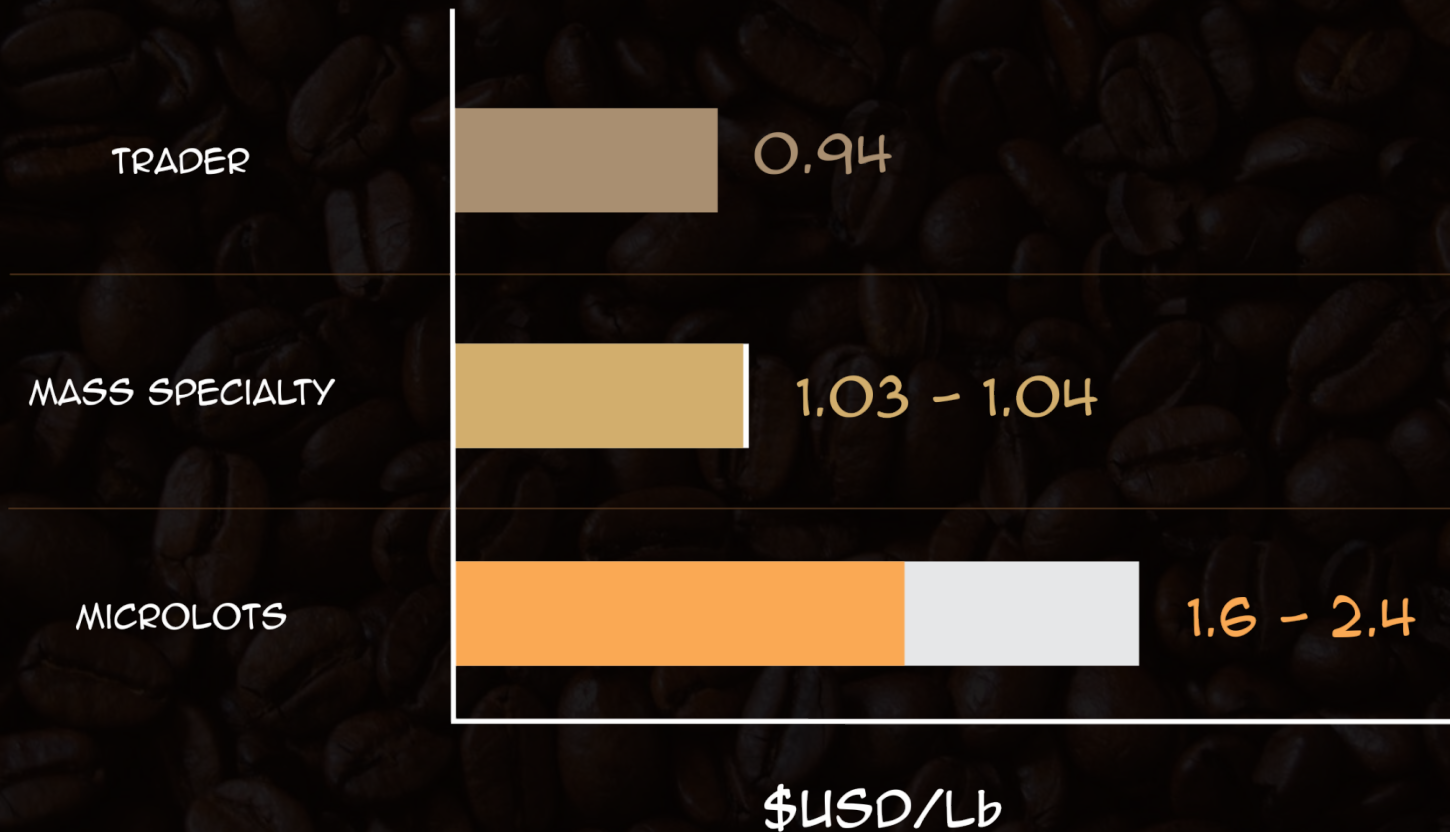


# PRODUCTION COSTS





# PURCHASE PRICE



# PROFITABILITY

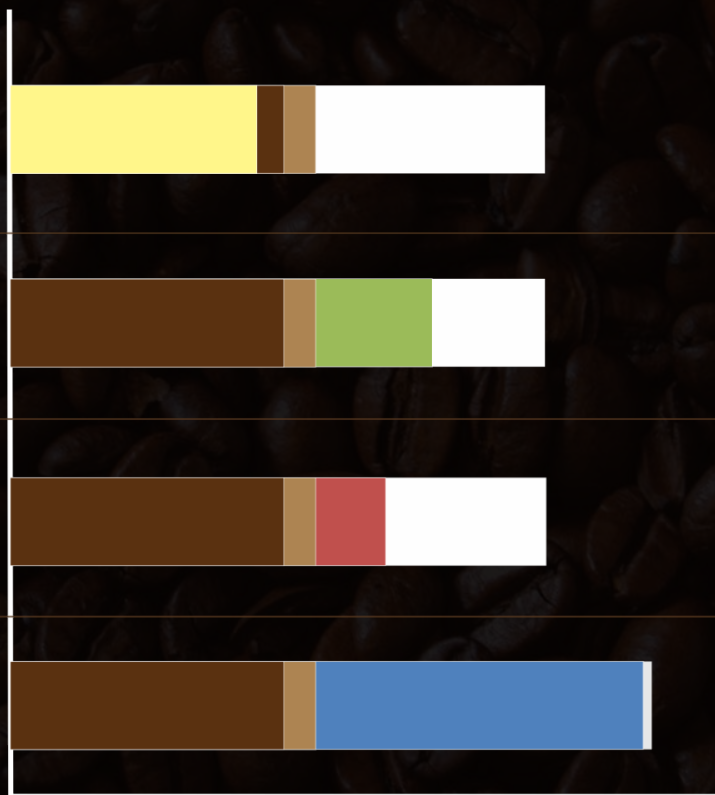
Adapted icons from the Noun Project

  
COLOMBIAN COFFEE FARMERS  
NATIONAL AVERAGE

①   
COFFEE SPECIALISTS  
17.25%

②   
DIVERSIFIED COFFEE FARMERS  
50.59%

③   
OFF-FARM INCOME  
32.16%



● MASS SPECIALTY A \$0.11  
● MASS SPECIALTY B \$0.12  
● MICROLOTE \$1.08

● MASS SPECIALTY A -\$0.55  
● MASS SPECIALTY B -\$0.54  
● MICROLOTE \$0.42

● MASS SPECIALTY A -\$0.37  
● MASS SPECIALTY B -\$0.36  
● MICROLOTE \$0.6

● MASS SPECIALTY A -\$1.35  
● MASS SPECIALTY B -\$1.34  
● MICROLOTE \$0.02

\$USD/Lb

Adapted icons from the Noun Project

Data from 2013



# RESULTS

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We aren't talking about "producer cost" but rather "producers costs"

- 3 types of farmers = 3 production costs
- Production costs vary spatially especially over diverse landscapes such as those found in the coffeelands
- Be wary of "average costs" which hide variation.

# RESULTS

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Profitability depends on farmer typology AND market access

- Farmers who specialize and invest in coffee can be profitable in more market channels
- Lower income or less specialized farmers tend to invest less, achieve lower yields and have higher unit costs
- In many case non-specialization in coffee makes sense under market, climatic and price uncertainty



# TAKE AWAYS

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1. Farmers are diverse and production costs vary. There is no ONE production cost. You need to understand who your producers are.
2. Production costs (and yields) are sticky. One off price increases might not lead to increased on-farm investment; rather market linkages that provide consistent incentives (price and support) are needed to achieve significant gains.
3. If you want farmers to receive more income, you need to have a clear idea of how your supply chain works and where additional payments will arrive if they are made. The ability of the chain to deliver coffee is NOT a good proxy for how information and cash flow.